

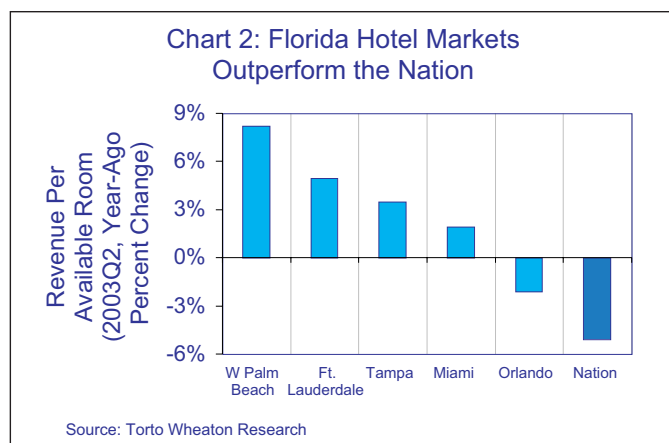
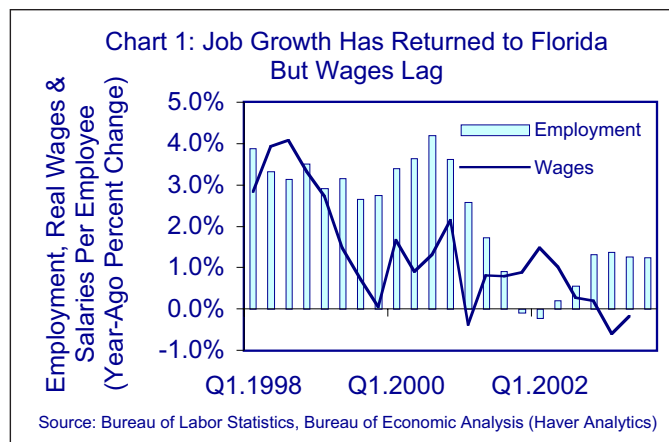
FDIC State Profile

WINTER 2003

Florida

Economic growth in Florida remains moderate, but exceeds the pace for the Region and the nation.

- Moderate job growth in Florida continued into third quarter 2003 (see Chart 1), adding a net of just over 90,000 jobs in the past year. However, payrolls in several metropolitan areas remain below cyclical peaks. Although exceeding averages for the nation and for the Atlanta Region, job growth in the state remains modest compared to the late 1990s. Real wages and salaries per employee continued to decline on a year-over-year basis through second quarter 2003.
- Tourism remains a critical component of the Florida economy. In the aftermath of September 11, this industry and others, such as transportation, struggled. However, revenue per available hotel room growth in major Florida markets has outpaced the nation and only **Orlando** continued to see outright declines (see Chart 2). Preliminary data for third quarter 2003 point toward some renewed weakness. Lower than expected visitor levels have exacerbated already declining occupancy rates in the Orlando MSA, and tourism may suffer further with geopolitical uncertainties.
- Despite the recent national economic downturn, home prices in many metropolitan areas in Florida continue to appreciate rapidly.¹ Median home prices in most major metropolitan areas rose by more than twice the national average of 4.9 percent from one year earlier, according to the *National Association of Realtors*. Areas, such as **Ft. Pierce-Port St. Lucie** also have seen large increases in home prices, despite record levels of homebuilding. Prolonged rapid home price appreciation combined with weak wage and salary growth and the possibility of a rising interest rate environment could adversely affect affordability in some areas of the state.
- Commercial real estate markets (CRE) are slowly recovering in some Florida markets but office vacancy rates generally remain above the national average. For example, vacancy rates across market types in the **Miami, Ft. Lauderdale**, and **West Palm Beach** MSAs in South Florida have started to drift downward as moderate economic growth continues. The exception may be the Miami MSA warehouse market, which was adversely affected by simulta-



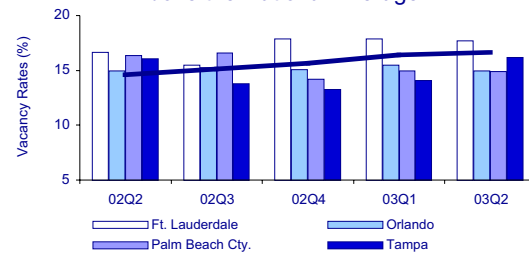
neous economic downturns in the U.S. and throughout Latin America. In contrast, CRE market conditions in the **Tampa**, **Orlando**, and **Jacksonville** MSAs remain mixed. Call centers in these metropolitan areas have accounted for significant office space absorption in recent years; the emerging trend in relocating such business activity overseas, however, could become a constraining factor in the future.

¹ Tallahassee is the notable exception to this trend where home prices have failed to keep pace with inflation over the past year ending second quarter 2003.

Despite solid earnings growth, profitability measures at Florida community banks were mixed.

- Earnings growth among community banks² based in Florida continued to be robust during the 12-month period ending June 30, 2003. On a merger adjusted basis, net income rose 20 percent to \$193 million over the 12-month period. This compares to \$161 million a year earlier. During this time, the decline in earning asset yields exceeded the decline in funding costs, which led to margin compression. Net interest margins fell 30 basis points to 4.05 percent, down from 4.35 at June 30, 2002. Nevertheless, return on assets continued to improve and rose modestly by June 30, 2002 to 0.96 percent, up from 0.94 percent in the previous period. Lower provision expenses and securities gains help lead to the increase.
- Total loan growth among Florida community banks was modest during the year; the aggregate loan-to-asset ratio totaled just over 67 percent. Despite economic weakness, the commercial real estate³ (CRE) loan portfolio continued to expand. Construction and development and nonresidential mortgages drove the increase in total CRE loan levels. At June 30, 2003, CRE comprised 52 percent of total loans, up from roughly 49 percent in the previous year.
- Markets⁴ in Florida reporting the greatest CRE exposures at the end of second quarter 2003 were Fort Lauderdale, *Sarasota*, West Palm Beach,

Chart 3: Office Vacancy Rates in Most Florida MSAs Have Stabilized, but Some Remain at or Above the National Average



Source: Torto Wheaton Research

Orlando and Tampa. Roughly 17 percent of the banks operating in these MSAs reported a CRE-to-total-assets ratio that ranks in the 90th percentile of the state's insured institutions. This relatively high exposure level may increase the vulnerability of banks in these MSAs to the consequences stemming from rising or higher than average CRE vacancy rates,⁵ depending on the type of real estate lending at these institutions (see Chart 3).

- Despite the high and growing levels of CRE, asset quality among community banks headquartered in these five MSAs has not deteriorated. However, as in any fast growing loan segment, significant growth in CRE lending could be understating past-due ratios.

² Community banks have less than \$1 billion in assets and exclude de novos, specialty institutions and thrifts.

³ Commercial real estate consists of construction and development, nonresidential, and multifamily loans.

⁴ Sample consists of MSAs with 10 or more institutions.

⁵ Vacancy rate information is from Torto Wheaton Research.

Florida at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	305	301	307	310	304
Total Assets (in thousands)	106,282,475	94,802,305	87,535,895	78,521,463	102,862,406
New Institutions (# < 3 years)	30	54	75	80	51
New Institutions (# < 9 years)	117	112	105	102	75
Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	8.43	8.57	8.94	9.00	8.67
Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	0.85%	0.97%	1.06%	0.96%	1.15%
Past-Due and Nonaccrual > = 5%	12	24	20	22	24
ALLL/Total Loans (median %)	1.19%	1.18%	1.17%	1.16%	1.11%
ALLL/Noncurrent Loans (median multiple)	2.58	2.30	2.02	2.03	2.14
Net Loan Losses/Loans (aggregate)	0.20%	0.24%	0.33%	0.24%	0.30%
Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	38	45	61	74	64
Percent Unprofitable	12.46%	14.95%	19.87%	23.87%	21.05%
Return on Assets (median %)	0.83	0.81	0.74	0.74	0.80
25th Percentile	0.41	0.33	0.21	0.10	0.29
Net Interest Margin (median %)	3.97%	4.24%	4.13%	4.50%	4.30%
Yield on Earning Assets (median)	5.84%	6.62%	8.12%	8.14%	7.60%
Cost of Funding Earning Assets (median)	1.79%	2.38%	4.01%	3.65%	3.25%
Provisions to Avg. Assets (median)	0.18%	0.21%	0.19%	0.19%	0.15%
Noninterest Income to Avg. Assets (median)	0.71%	0.71%	0.70%	0.72%	0.82%
Overhead to Avg. Assets (median)	3.17%	3.30%	3.40%	3.66%	3.66%
Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	81.57%	81.19%	79.81%	78.42%	74.48%
Loans to Assets (median %)	68.38%	69.14%	67.86%	66.13%	63.90%
Brokered Deposits (# of institutions)	82	62	48	40	33
Bro. Deps./Assets (median for above inst.)	4.82%	4.95%	3.41%	2.40%	0.82%
Noncore Funding to Assets (median)	21.75%	20.71%	19.50%	18.07%	15.70%
Core Funding to Assets (median)	67.69%	68.29%	68.32%	69.89%	71.14%
Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	161	155	153	147	140
National	70	72	77	82	85
State Member	31	32	32	35	34
S&L	4	3	3	4	3
Savings Bank	39	39	42	42	42
Mutually Insured	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Miami FL PMSA	45	34,352,484	14.75%	32.32%	
No MSA	42	7,248,338	13.77%	6.82%	
Tampa-St Pete-Clearwater FL	34	9,728,468	11.15%	9.15%	
Orlando FL	29	8,883,812	9.51%	8.36%	
Ft Lauderdale FL PMSA	20	7,799,313	6.56%	7.34%	
Sarasota-Bradenton FL	19	3,082,403	6.23%	2.90%	
W Palm Beach-Boca Raton FL	19	5,741,760	6.23%	5.40%	
Jacksonville FL	13	3,161,789	4.26%	2.97%	
Naples FL	11	5,867,035	3.61%	5.52%	
Ft Myers-Cape Coral FL	10	2,110,255	3.28%	1.99%	
Daytona Beach FL	9	849,804	2.95%	0.80%	
Lakeland-Winter Haven FL	7	1,943,511	2.30%	1.83%	
Ft Walton Beach FL	7	1,747,297	2.30%	1.64%	
Pensacola FL	6	1,380,157	1.97%	1.30%	